

**Peru Alternative Development Policy Analysis and Support  
Task Order**

**Quarterly Report: January-March 2005**

**Submitted to USAID/Peru  
Alternative Development Office**

***Development Alternatives Inc.***

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## **Activity Report: January-March 2005**

### ***Introduction***

Development Alternatives Inc. (DAI) began working for USAID/Peru under the Policy Analysis and Support Task Order in 2002. The overall objective of the Task Order is to enhance the capacity of the Government of Peru to enact and implement policy reform to more effectively manage counter-narcotics issues. The principal Peruvian institutional counterpart for DAI is DEVIDA, the Peruvian national agency responsible for oversight of Peru's anti-narcotics policies, as well as for implementation of the alternative development program. The project has supported DEVIDA in its capacity as the implementing institution for alternative development by providing the staff and technical support for its monitoring and impact evaluation unit and for its environmental assessment unit. DAI, along with Chemonics, also provides communications assistance to enhance popular support for the alternative development program and counter-narcotics policies.

The policy activities of the project, along with the related communications and institutional strengthening activities of the project primarily support DEVIDA in its capacity as the designated rector for counter-drug policy. Other key Peruvian government institutions with which the project works include the Peruvian legislature, the Ministry of Interior, the Ministry of Production, ENACO the state enterprise responsible for the commercialization of licit coca, and FONAFE, the government's holding company that owns all state enterprises like ENACO.

DAI has established a network of institutional and individual contractors that undertake a combination of policy, institutional strengthening and communications tasks to support counter-narcotics efforts. They work within and with Peruvian institutions, collaborate with elements of the US Embassy, including NAS, DEA, PAS and other USAID contractors such as Chemonics. Collectively, members of the network meet regularly to analyze current challenges and opportunities and develop proposed strategies to respond.

### ***Results Framework***

The principal objective of USAID/Peru, as reflected in its Results Framework, is the Strategic Objective to achieve Sustained Reduction of Illicit Coca Crops in Target Areas of Peru. This Task Order contributes to two of the four Intermediate Results under this Strategic Objective and to the sub-IRs and sub sub-IRs listed hereunder:

IR1 Strengthen the Rule of Law

Sub IR 1.2 Effective Management of Counter-Narcotics Issues

Sub Sub IR1.2.1 Improved Legal and Regulatory Framework for Peru's Counter-Narcotics Program

Sub Sub IR1.2.2 Improved Institutional Capacity for the Implementation of Counter-Narcotics Policy

IR 2 Willingness to Reject Coca Increased

Sub IR 2.1 Ownership of coca-related problems increased

Sub IR 2.2 Awareness of coca-related problems increased

## ***Current Political Context***

During the past quarter, cocalero pressure tactics to influence government policy have increased as expected, including both in the coca valleys, in the media and in Lima. This has included organized strikes and demonstrations, road blockages and intimidation against officials and personnel involved in alternative development, a cocalero congress in Lima that culminated in the presentation of a proposed law to effectively legalize all coca, and a well orchestrated disinformation campaign claiming that GOP, with USG backing, was using fumigation as a means of eradication.

Currently there are roughly a dozen draft coca bills in congress that would debilitate counter-narcotics policy, an indication that a significant number of members of congress are willing to seek the support of the cocaleros for electoral motives, while other members seek not to take positions that could energize cocalero opposition to them. Congress was in recess for the first two months, but went back into session in March for the beginning of an electoral year.

The advisory group on cocalero unrest that was setup in the Presidency of the Council of Ministers (PCM) late in the last quarter, and which potentially could have been a negative influence on policy, essentially withered away. Nonetheless, the PCM's handling of the coca issue during the period has been questionable.

During the period, the national government has been primarily preoccupied with its own survival in the face of scandal, calls for resignation and almost non-existent popular support. Despite indications that pro-cocalero legislative initiatives did not have the necessary support to become law, DEVIDA was tasked by the Prime Minister with preparing a government coca law proposal for review by the Council of Ministers. The Minister of Economy, based on briefs prepared by FONAFE, took a firm position in opposition to the proposed law. Other ministers also opposed the draft law, either on political or technical grounds. The Prime Minister resolved to refer the draft to a commission to review and resolve issues. The commission consists of representatives from DEVIDA, the Ministry of Economy and Finance (including FONAFE and potentially SUNAT), the Ministry of Interior, and the Ministry of Production.

## **Activities**

### **Communications**

#### **Past Quarter**

Tironi gave its formal presentation of the public opinion survey to USAID and the embassy. It revealed a positive shift in a number of key opinion results from the previous survey, particular in terms of awareness of the narcotics threat and potential support for firmer action against narcotics trafficking and excess coca production. However the issue is still not high on the ranking of principal concerns by the populace, and there are contradictory views regarding solutions. Selected survey results have been used by DEVIDA in briefings with the PCM and palace.

At the end of the period Tironi completed the opinion leader survey and provided results to USAID and DAI. The results indicate reasonably favorable and improved opinions on key issues by media and other leaders, but still reflect more pro-cocalero views by many in congress. The Cusco portion of the survey provided strong evidence that opinion leaders there generally favor improved control and separation of legal from illegal coca. This is helpful for DAI efforts to gain support for a reformed licit market control system with licit production largely based in Cusco.

Tironi continued to promote dissemination of information related to Alternative Development and Counter-narcotics efforts. The firm also helped arranged televised coverage of dramatic police crackdowns on drug traffickers in Lima and related coverage that showed the links between the coca producing areas of the country and cocaine consumption in Lima.

At the end of January, the DAI communications advisor in DEVIDA left the project to work on a NAS-funded communications project. Before leaving he completed the printing and publication of the coca myths booklet designed for journalists. The DAI security advisor also left the project at the end of January to work on the same project.

#### **Next Quarter**

Develop communications strategy to support coca control reform initiative.

### **Advocacy**

#### **Past Quarter**

CEDRO continued its advocacy efforts with various members of congress, particularly with members of the Defense and Agriculture committees. The project-funded advisor to the Agricultural commission was tasked by the commission to manage a working group looking into coca law issues and fumigation mis-information. It appears that the working group has been able to contain and manage the issues.

CEDRO brought to Lima hundreds of young people from coca valleys who carried the drug-prevention message to the press, the palace and congress.

### **Next Quarter**

Advocacy efforts during the next quarter will be focused on both avoiding passage of a bad coca law and progressively promoting support for an effective control system for the licit coca market

### **Studies**

#### **Past Quarter**

In January work began by GRADE on the analysis of ENACO and its management of its share of the licit coca market. Concurrently DESCO began the study of the informal coca market. A separate but related activity, is the work by Luis Martin Medina and Manuel Estela on the development of a statistical report on coca supply and the padron, with the aim of providing options for the “actualizacion del padron.” The fourth component of the current work is a legal analysis to underpin the reform strategy.

#### **Next Quarter**

The above studies, and a recommendations report will be completed. Work may also begin on an assessment of money laundering regulations and the institutional capacity to implement them.

### **Precursor Chemicals Regulation**

#### **Past Quarter**

Negotiations on the precursor chemical regulation continued through the quarter. A final draft appeared to be ready in late March, with one issue unresolved between the Ministry of Interior and the Ministry of Production on which institution would actually enter a user into the registry. DAI then requested that its new security advisor in DEVIDA review the regulation. In addition to 30 years experience in the police, he has extensive legal training and knowledge. He concluded that additional modifications should be sought in the regulation.

#### **Next Quarter**

It is hoped that remaining issues on the regulation can be resolved in April so that the regulation can be published for public comment. Consultandes is prepared to provide educational and promotional support aimed at the private sector. The Ministry of Production along with other involved institutions should review and approve the information system design prepared by CHS, so funding and contract arrangements can be made by NAS. A final trip by Gene Haislip is tentatively planned for the point at which the government appears ready to take ownership of the process, make its own resource commitments, and define its assistance requirements for NAS.

### **Regional Coca Study**

#### **Past Quarter**

Work continued on revising the reports and responding to comments from the USAID/Bogota economist.

### **Next Quarter**

Distribution of final reports and mission presentations.

## **DEVIDA Institutional Strengthening**

### **Past Quarter**

General Juan Zárate began his work to strengthen DEVIDA's role in coordinating counter-narcotics policy and plans at the beginning of February. He has prepared a series of recommendations for DEVIDA management that are currently under review. DAI began recruitment for three additional advisors at the end of the period.

### **Next Quarter**

The conflict management advisor will begin work with DEVIDA at the beginning of May. The two other advisors currently under consideration, one for legislative relations and one for inter-institutional coordination to support the AD program should begin work around the same time.